

*He promised lower prices, but his trade policies will have the opposite effect.*



POLITICS & IDEAS

## Trump Bets the Economy on Tariffs

Public discontent with inflation and high prices more than anything else weakened support for Kamala Harris and opened the door to Donald Trump's return. Throughout the campaign, Mr. Trump hammered away at this vulnerability, promising that prices would come down in his second term. "Starting on day one, we will end inflation and make America affordable again," Mr. Trump told attendees at a rally last August in Bozeman, Mont. Although his plan was short on specifics, he gave the electorate every reason to believe he meant it.

But six weeks after Mr. Trump took office, Americans were beginning to wonder whether he was serious about reducing prices. A late February CBS News/YouGov poll found that while 80% of voters believed that he should make inflation a high priority, only 29% thought that he was doing so.

Treasury Secretary Scott Bessent defended Mr. Trump's economic policies during a speech last week to the Economic Club of New York. "Access to cheap goods is not the essence of the American dream," he said. Rather, the American dream means that "any citizen can achieve prosperity, upward mobility and economic security." Mr. Bessent charged that proponents of multilateral trade deals had lost sight of this and that the deals they struck had worked to the disadvantage of the American people.

The president's tariffs are designed to correct this, Mr. Bessent continued, by leveling the playing field so that the international trade system rewards "ingenuity, security, rule of law and stability," rather than "wage suppression, currency manipulation, intellectual property theft, nontariff barriers and draconian regulations."

Responding to questions after his speech, the secretary conceded that the tariffs will likely mean a "one-time price adjustment," but he added that "across a continuum, I'm not worried about inflation." Mr. Trump also weighed in during his speech before Congress last week: "There'll be a little disturbance, but we're OK with that."

Others are less OK with it. Economists studying past tariffs have found that their effects endured even after the tariffs were removed. And the Trump tariffs may not be lifted quickly if, as Mr. Bessent suggests, their purpose is to level the playing field, not just to improve the administration's bargaining position on the flow of illegal drugs and immigrants into the U.S. Further, the Federal Reserve Board is concerned about Americans' increased inflation expectations, which could trigger a damaging price spiral.

The American people smell a rat. In a recent poll by the Economist/YouGov, 68% said that higher tariffs mean higher prices and that consumers will bear a large share of the burden.

They're right. Tariffs are import taxes paid in the importing nation. Canada, Mexico, China and the European Union won't be pouring billions of dollars into U.S. coffers. The Trump administration will be taxing American

importers, who won't be able to absorb fully the increased costs and must shift some of the burden to consumers by increasing prices. Despite his professed business acumen, it has never been clear that Mr. Trump understands this.

It becomes much harder to achieve the American dream if prices rise more quickly than wages. The administration has given Americans no compelling reason to believe that their wage increases will match, let alone beat, the price increases that the

America-first tariff plan would guarantee.

To be fair, the administration does have an overarching philosophy behind why it supports tariffs. The pro-tariff argument runs like this: Low-cost imports may benefit U.S. consumers, but they hurt U.S. producers, who can't compete. These producers reduce production or shut down, eliminating good manufacturing jobs. Even if displaced workers can find new jobs, those jobs tend to be lower-paying, increasing the cost to government of programs such as nutrition assistance and Medicaid. Communities made poorer by the manufacturing sector's collapse tend to experience higher crime and drug use. Low-priced imports generate unintended bad consequences—in economists' lingo, "negative externalities." By raising import prices, tariffs force the system to take these costs into account.

Mr. Trump seems to believe that, after a temporary disruption, his strategy will revitalize U.S. manufacturing and force foreign producers to move their facilities to the U.S., providing good jobs for working Americans. Higher wages, he hopes, will more than make up for higher prices, leaving everyone better off.

But Mr. Trump lacks broad public support as he tries to execute this strategy. While Americans are willing to stick it to China, they oppose higher tariffs on Canada, Mexico and the European Union, and they may not remain patient if prices rise immediately while higher-paying jobs are slow to materialize (assuming they ever do). This is a high-stakes gamble, with Mr. Trump's presidency and the future of America-first economics on the line.

*By William A. Galston*

---

[Copyright \(c\)2025 Dow Jones & Company, Inc. All Rights Reserved. 3/12/2025](#)  
[Powered by TECNAVIA](#)

---

The following is a digital replica of content from the print newspaper and is intended for the personal use of our members. For commercial reproduction or distribution of Dow Jones printed content, contact: Dow Jones Reprints & Licensing at (800) 843-0008 or visit [djreprints.com](http://djreprints.com).

---